

G-008/GR-95-700

ORDER ACCEPTING FILING, SUSPENDING RATES, AND REQUIRING FURTHER
FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs
Tom Burton
Marshall Johnson
Dee Knaak
Don Storm

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application of
Minnegasco, a Division of NorAm Energy
Company, for Authority to Increase Natural
Gas Rates in Minnesota

ISSUE DATE: October 4, 1995

DOCKET NO. G-008/GR-95-700

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PROCEDURAL HISTORY

On August 11, 1995, Minnegasco filed a petition seeking a general rate increase of \$24,349,000, or approximately 4.2% over existing rates. Minnegasco proposed a projected test year ending September 30, 1996.

In comments filed on August 25, 1995, the Department of Public Service (the Department) recommended that the Commission accept Minnegasco's rate case filing as complete. The Department stated that the filing poses issues of material fact, and recommended that the matter be referred to the Office of Administrative Hearings for contested case proceedings.

On September 21, 1995, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. ACCEPTANCE OF FILING

Having examined Minnegasco's filings and considered the comments of the Department, the Commission finds that Minnegasco has substantially complied with the statute, Minn. Stat. § 216B.16 (1994); applicable rules, Minn. Rules, parts 7825.3100 through 7825.4600; and past Commission Orders on future Minnegasco rate case filings. This is a finding as to form only; it implies no judgment on the merits of the application.

Although Minnegasco has substantially complied with filing requirements, the Commission finds that the Company should submit supplemental direct testimony further developing two issues.

II. SUPPLEMENTAL FILINGS

First, the Commission expressed particular interest in Minnegasco's incentive compensation plan during the course of the Company's 1994 rate case. At page 12 of the rate case final Order¹ the Commission stated:

To ensure comprehensive review of the Company's incentive compensation program in the future, the Commission will require the Company to include in its next rate case filing a detailed description of its incentive compensation program. This will permit the comprehensive review necessary to ensure that the plan does not contain disincentives to regulatory compliance, long term planning, and similar values unique to companies providing essential services in a monopoly environment. The Commission will again ask the parties not to settle any disputes regarding the Company's incentive compensation plan.

Although Minnegasco did include information about incentive compensation in the present rate case filing, the information did not include specific detail about the total dollar value of incentive compensation that was allowed in the last rate case and the amount which was earned and unpaid. Neither did the filing contain a detailed description of the terms and design of the Company's incentive compensation program. Commission Staff has requested this information from the Company in information requests Nos. 314 and 315. The Commission will require Minnegasco to file, within 14 days of the September 21 hearing, supplemental direct testimony in response to the information requests.

Second, the Commission has expressed particular interest in whether it would be appropriate to use NorAm's consolidated state and federal tax calculations instead of the statutory tax rates that Minnegasco proposed in the rate case. The Commission will therefore require the Company to file supplemental direct testimony regarding the consequences of using consolidated tax calculations in the rate case. The filing shall be submitted within 30 days of the September 21 meeting.

The filing shall include the actual state and federal tax returns filed for the years 1992, 1993, and 1994 by NorAm. Minnegasco shall also file such other tax return information it deems necessary for supporting, and schedules of calculations computing, NorAm's consolidated state and federal income tax rates for the rate case test year.

The Department, and other parties desiring to contribute, shall assess the consolidated income tax rates and rate case effects computed and supplied by Minnegasco.

III. SUSPENSION OF RATES

Under Minn. Stat. § 216B.16, subds. 1 and 2 (1994), the rates proposed by the Company become

¹ In the Matter of the Application of Minnegasco, a Division of Arkla, Inc., for Authority to Increase Its Rates for Natural Gas Service in Minnesota, Docket No. G-008/GR-93-1090, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER (October 24, 1994).

effective 60 days from filing, unless they are suspended by the Commission. The Commission finds that it cannot resolve all issues regarding the reasonableness of the proposed rates within this 60 day period and that the public interest requires suspension. The Commission will establish interim rates for the suspension period, under Minn. Stat. § 216B.16, subd. 3 (1994), by separate Order.

By separate Order the Commission has found that contested case proceedings are necessary for adequate examination of the merits of the application. See NOTICE AND ORDER FOR HEARING entered in this docket on this date. Although the Company's filing meets the statutory requirements to begin a rate case proceeding, intervening parties may need further information to evaluate the Company's proposed rate increase. Similarly, the Company may need further information to analyze other parties' positions. The Commission will therefore require the Company and other parties to produce additional information within eight working days of service of any information request by the Department or any other party.

ORDER

1. Minnegasco's August 11, 1995, rate increase petition is accepted as being in proper form and substantially complete.
2. The operation of the proposed rate schedule is hereby suspended under Minn. Stat. § 216B.16, subd. 2 until the Commission has issued a final determination in this case.
3. All parties to this proceeding may serve information requests on any other party. Information requests shall be answered within eight working days of receipt.
4. Minnegasco shall file, within 14 days of the September 21 hearing, supplemental direct testimony in response to information requests Nos. 314 and 315.
5. Minnegasco shall file, within 30 days of the September 21 hearing, supplemental direct testimony regarding the consequences of using consolidated tax calculations in the rate case instead of the statutory tax rates. The filing shall include the actual state and federal tax returns filed for the years 1992, 1993, and 1994 by NorAm. Minnegasco shall also file such other tax return information it deems necessary for supporting, and schedules of calculations computing, NorAm's consolidated state and federal income tax rates for the rate case test year.

The Department, and other parties desiring to contribute, shall assess the consolidated income tax rates and rate case effects computed and supplied by Minnegasco.

6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)